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William F. Payne
South Dakota State University

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Economics Newsletter

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• South Dakota State University

• Brookings 57006

• (605) 688-4141

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GRAIN EXPORTS PUT CRUNCH ON TRANSPORTATION

Fiscal 1973 was the most remarkable year in the history of U.S. farm exports. During this period, the U.S. grain transportation system accomplished the major task of moving 80 million metric tons of grain - over 60 percent more than the previous year. The quantity of grain moved was enough to fill every boxcar, hopper car and barge in the United States twice or to fill every U.S. export elevator eight times.

Grain Exports

A sudden jump in grain exports in 1972 - 73 was largely due to sales of nearly 11 million tons of wheat - mostly of the hard winter variety - to the Soviet Union. In addition, the U.S. experienced record sales of feedgrains to buyers throughout the world, and a continued boom in the long-term expansion of soybean exports.

Most U.S. grain exports are produced in three areas - the Midwest, the Plains, and the Pacific Northwest. The Midwest is the most important production area, and about 66 percent of the U.S. grain exports are shipped from the Midwest through the east Gulf (40%), Great Lakes (18%) and Atlantic ports (8%).

Grain Movements from South Dakota

Minneapolis is the primary destination for approximately 60 percent of

the shipments from South Dakota grain elevators. Railroads carry about 73 percent of this grain with trucks accounting for the remaining 27 percent. Sioux City receives 31 percent of South Dakota grain shipments - 69 percent by rail and 31 percent by truck. Rails are even more important in the movement of wheat, carrying 82 percent of South Dakota elevator outshipments.

The Declining Rail Service

Rails are an important mode of grain shipment in South Dakota, but the railroad industry is in a state of flux with most companies stating that they have a considerable amount of trackage which is not necessary for today's transportation methods. This has led to the abandonment of rail services to some South Dakota communities. From 1958 to 1971, the total miles of trackage in South Dakota decreased 10%, from 4,555 miles to 4,080 miles.

Abandonment Standards

Rail abandonments are the legal concern of the Interstate Commerce Commission (ICC) and procedures to achieve abandonment in the past have been rather slow and laborious.

However, the ICC has recently been granted permission by a three-judge Federal Court to establish the "34 car-

loads per mile" standard. Under this standard, a case for abandonment, without formal proceedings, is established when there is "a statistical indication" that fewer than 34 carloads per mile have been carried annually over the trackage. While no railroad company serving South Dakota has explicitly stated that it would adopt this criteria, the ruling nevertheless means that most of South Dakota's branch lines could qualify for abandonment. One rail company, for example, operates almost 400 miles of track in South Dakota which carries less than 34 carloads per mile annually. There are presently about 50 grain elevators located on these lines.

Temporary Halt on Abandonments

On June 21 the ICC was ordered by a U.S. District Court in New York, to determine in advance for each abandonment proceeding whether or not "major federal actions significantly affecting the human environment" are involved

and, if so, to prepare and circulate to the parties a draft environmental impact statement as required by the National Environmental Policy Act. The ICC has halted all railroad abandonment proceedings pending consideration of an appeal.

Summary

The South Dakota economy is dominated by agriculture, and our farmers and ranchers are heavily dependent upon transportation services because most of our agricultural production is shipped out of state in one form or another. Railroad abandonment is especially critical to our economy because abandonment often threatens the survival of grain elevators and other agri-business firms. Because abandonment may be economically justified in several instances, it becomes important for affected communities to prepare long-range transportation plans in an effort to prevent un-coordinated termination of rail transportation service.

William F. Payne, Assistant Professor of Economics

COOPERATIVE EXTENSION SERVICE
U. S. DEPARTMENT OF AGRICULTURE
SOUTH DAKOTA STATE UNIVERSITY
Brookings, S. D. 57006
OFFICIAL BUSINESS

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